

Message Text

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22

ACTION SS-25

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R 161512Z SEP 76

FM AMEMBASSY CAIRO

TO SECSTATE WASHDC 7102

INFO AMEMBASSY ABU DHABI

AMEMBASSY BONN

AMEMBASSY DOHA

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY TEHRAN

AMEMBASSY TOKYO

C O N F I D E N T I A L CAIRO 12543

EXDIS

E.O. 11652: GDS

TAGS: EFIN, EG

SUBJECT: DEPUTY FOREIGN MINISTER ON SEVEN POINT PROGRAM

REFS (A) CAIRO 11834 (NOTAL) (B) CAIRO 12097 (NOTAL)
(C) SECTO 25006 (NOTAL) (D) CAIRO 12456 (E) CAIRO 12474

1. THIRD ROUND OF REVIEW OF SEVEN POINT PROGRAM AND
EXTERNAL ASSISTANCE IN FOLLOW-UP TO AMBASSADOR'S
SEPTEMBER 2 MEETING WITH PRIME MINISTER (REF A)
TOOK PLACE SEPTEMBER 16. CHARGE AND ECONOFF MET
WITH MINISTER OF STATE FONAFF (DEPFONMIN) MOHAMED
RIAD FOR DISCUSSION OF THESE QUESTIONS, DURING WHICH
RIAD, TOO, CONFIRMED \$500 MILLION GODE PACKAGE.
HE STATED \$250 MILLION DIRECT GODE LOAN IS ASSURED
AND, IN RESPONSE TO COMMENTS ON GUARANTEE BY
CHARGE, AGREED IT WOULD BE GOOD IDEA FOR CHASE
AND CITIBANK TO HEAD UP SEPARATE GODE AND IRANIAN
LOAN EFFORTS. RIAD NOTED THAT GODE HAD EARLIER,
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IN JUNE, BEEN REBUFFED IN ITS APPROACHES TO

TEHRAN FOR IRANIAN AID; HE CONCURRED IN USEFULNESS
AT THIS TIME OF FURTHER TALKS BETWEEN MINFIN
ABU ISMAIL AND IRANIAN AMBASSADOR IN CAIRO.

2. ON OTHER POINTS IN THIS REGARD, RIAD EXPRESSED
STRONG SUPPORT ON PART OF GOE FOR IMPLEMENTATION
AT FAIRLY EARLY DATE OF ADDITIONAL IMF REFORM
RECOMMENDATIONS, NOTING THAT THEY WERE NECESSARY FOR
CONTINUED GOOD REPUTATION AND CREDITABILITY OF
COUNTRY IN ECONOMIC FIELD. HE NOTED THAT AID FROM
EEC IS BEING SOUGHT, THAT HE EXPECTS NO GREAT
DIFFICULTIES IN THIS REGARD, BUT THAT A FEW POINTS
WERE YET TO BE WORKED OUT. RIAD FORECAST SIGNIFICANT
PROGRESS IN FOREIGN INVESTMENT FIELD AFTER
ELECTIONS AND INSTALLATION OF NEW GOVERNMENT; HE
SEEMED UNAWARE OF ANY CURRENT MOVE TO AMEN LAW 43,
BUT SAID INSTRUCTIONS OF PRESIDENT AND PRIME MINISTER
AND TREND IN DELIBERATIONS IN COUNCIL OF MINISTERS
INDICATE COMMITMENT TO LIBERALIZATION AND
SIMPLIFICATION OF EXCESSIVE BUREAUCRATIC PROCEDURES.

3. DEPFONMIN WAS DECIDEDLY OPTIMISTIC ON ECONOMIC
FUTURE OF EGYPT DURING OUR DISCUSSION. HE SAID
DRASTIC CHANGE FROM FORMERLY RIGID ECONOMIC SYSTEM
TAKES TIME, BUT THINKS ARE MOVING NOW. HE INDICATED
THAT WITH ELECTIONS OVER, PEOPLES' ASSEMBLY WILL
BE SETTLED IN FOR FIVE YEARS AND CABINET SITUATION
WILL BE STABLE, THUS PERMITTING MORE DECISIVE
ACTION ON PART OF GOE. MENTIONING GODE ASSISTANCE
AND EXPECTED PROGRESS UNDER OPEN DOOR POLICY, HE
EXPRESSED OPINION THAT FUNDAMENTAL REORIENTATION
OF IMPROVEMENT IN EGYPTIAN ECONOMY WILL BE
ACCOMPLISHED IN APPROXIMATELY THREE YEARS.

4. COMMENT: DEPFONMIN RIAD GAVE US IMPRESSION
HE IS FULLY ON TOP OF POLICY QUESTIONS REGARDING
CURRENT STATE OF ECONOMY AND EFFORTS TO DEAL
WITH FINANCIAL DEFICIT, UNLIKE MINFIN ABU ISMAIL
AND, TO SOME EXTENT, MINECON SHAFEI (REFS D AND E).
NOT BEING CONCERNED WITH DETAILS OF ECONOMIC PROBLEMS
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FACING COUNTRY, RIAD PERHAPS EXPRESSED AN
UNREALISTIC DEGREE OF OPTIMISM ON IMMEDIATE
FUTURE OF ECONOMY. WE BELIEVE, HOWEVER, THAT HE
PROBABLY REFLECTS ACCURATELY VIEWS OF TOP GOE
LEADERSHIP WITH RESPECT TO CONTEMPLATED COURSE OF
ACTION AFTER ELECTIONS ON OPEN DOOR POLICY AND,
POSSIBLY IMF REFORMS. IMPOSITION OF THOSE
VIEWS ON SPRAWLING BUREAUCRACY AND AS-YET-TO-BE-

CONSTITUTED PEOPLES' ASSEMBLY IS, HOWEVER,
ANOTHER MATTER. MATTHEWS

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